

Refund Anticipation Loans (source: [National Consumer Law Center Inc. and Consumer Federation of America](#))
Refund anticipation loans (RALs) are usurious short-term loans secured by the taxpayer's expected tax refund.

- **Unnecessary**

E-filing from our VITA sites can enable taxpayers to receive refunds in only 7-10 days w/ direct deposit.

- **Expensive**

Cost about \$30 to over \$125 in loan fees. Some also charge an "application" or "documentation preparation" fee of about \$40. The annual interest rate (APR) can range from 40% to over 500%. If application fees are charged and included in the calculation, the effective APRs range from about 57% to over 1,100%.

An RAL for an average refund of \$2,500 will cost about \$100 at some tax preparers, translating to an APR of 150%.

In addition, when the refund is received from the IRS, it is deposited into the commercial preparer's account, not the taxpayers. Often times, the taxpayer then has to pay another fee to even be able to access his or her refund to use to pay the loan back.

- **Risky**

A RAL must be repaid even if refund is denied, smaller than expected, or frozen. The lender may send the unpaid account to a debt collector and will show up on the taxpayer's credit record.

If the taxpayer applies for a RAL from a commercial tax preparer next year, they may find their refund gets grabbed to repay this year's unpaid RAL debt.

Tax Preparation Fees (source: [National Consumer Law Center Inc. and Consumer Federation of America](#))

Not including any fees related to a refund anticipation loan, the average preparation fee is \$150. In addition, an application of about \$40 is sometimes required.

Our VITA sites offer free tax preparation (for households earning \$40,000 or less), saving working families hundreds in high tax prep fees, ensure that they qualify for all their eligible credits, and provide free asset building resources to help them use their tax return as a launching tool towards lasting financial stability.

Earned Income Tax Credit (source: [Brookings Institute](#))

The EITC is a credit designed to reward working families that eliminates or reduces the taxes low-income workers pay.

- **Reduces Poverty**

Arguably, the most effective anti-poverty tool in America. The EITC lifts more children out of poverty than any other social program or category of programs. Without the EITC, the poverty rate among children would be 25 percent higher.

- **Used for the family** (source: [Center on Budget and Policy Priorities](#))

Research shows that many families that receive the EITC use it to pay for basic necessities like housing, utilities, food, and basic household appliances. The research also suggests that some families use their EITC to make purchases or investments that can help them maintain their jobs and their homes or to improve their employability so they have a better chance of moving into the middle class. The research indicates, for example, that a significant share of families use part of their EITC to repair or replace a car needed to get to work, to make essential but costly repairs to a home such as repairing a leaking roof, or to pay for more education or job training.

